PROJECT SUMMARY

Enterprise risk management (ERM) processes at Texas A&M University provide reasonable assurance that significant events that could adversely affect the accomplishment of key goals have been identified and appropriately evaluated and assigned mitigation and monitoring strategies. Controls over ERM could be enhanced by developing a standard administrative procedure (SAP) to officially document the ERM process. In addition, communication with employees responsible for risk mitigation and monitoring activities could be improved to allow for greater transfer of information throughout the University.

The Texas A&M University ERM process, which is managed by the Office of University Risk and Compliance (URC), has been identified nationwide as a model of reference. External parties, including universities and industry companies, have contacted URC requesting assistance with risk assessment tools, templates, and plans to help establish ERM processes.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Standard Administrative Procedure

Observation

A standard administrative procedure (SAP) has not been developed to formalize the ERM process for the University. A memorandum was issued in September 2009 from the Office of the President to vice presidents, deans, and directors to define ERM, communicate its value to the University community, and reinforce previous internal communication and ERM activities. While this memorandum conveys support for ERM from executive management, implementation of a SAP would provide consistent, approved written guidance to help ensure management directives are carried out and necessary actions are taken to address risks. The absence of these guidelines results in greater reliance on personnel to ensure ERM is appropriately implemented.
Direct communication with employees identified as responsible for risk mitigation and monitoring activities at the start of the 2009 ERM cycle did not occur to ensure those persons were aware of the relationship between their job responsibilities and ERM. Communication of responsibilities was discussed for a sample of ERM items tested as part of URC’s 2009 ERM internal management review performed in the latter part of the 2009 cycle. In addition, communication of changes in responsible parties and mitigating and monitoring activities are weak. Inadequate communication of responsibilities and changes in accountability and mitigating and monitoring activities could result in a decreased level of assurance that risks are being addressed effectively and efficiently.

The internal management review report on mitigating and monitoring activities conducted by URC as part of the 2009 ERM cycle was communicated to the University president in June 2010. Sharing this information with employees below the executive level would promote stronger support for the process as participants could see how they are aiding in the success of the activity.

For communication to be most effective, relevant information must be shared vertically and horizontally across the University.
Recommendation

Communicate ERM responsibilities with parties designated as accountable for risk mitigation and monitoring activities. Enhance communication throughout the ERM cycle to capture both changes in mitigating and monitoring activities as well as the employees responsible for managing those activities.

Distribute results of ERM test work performed by URC to other University executive management and participants of the university-wide risk assessment process.

Management’s Response

*Information and requests for changes will be communicated to parties with ERM responsibilities during the ERM cycle to provide them information on how they are aiding the University’s ERM process and to capture changes in mitigating and monitoring activities and accountable persons. Target date: August 31, 2011.*

*In addition, the results of URC’s internal management review were distributed to the participants of the University-wide risk assessment and other responsible parties noted in the report in August 2010.*

BASIS OF REVIEW

Objective and Scope

The audit objective was to determine if the key elements of the University’s enterprise risk management processes are designed to identify and mitigate risks through the use of a systematic organization-wide approach. Our review focused on the components of enterprise risk management as defined by the Committee on Sponsoring Organization of the Treadway Commission. These components include the institution’s internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring processes. Activities and documentation related to these components were reviewed in correlation to the fiscal year 2009 ERM Risk Footprint. Audit fieldwork was conducted from April to June 2010.
Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Treadway Commission’s Committee of Sponsoring Organization’s Enterprise Risk Management – Integrated Framework, and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The mission of the university-wide risk management program is to integrate an enterprise-wide risk management process within the University designed to identify and assess risk management strategies used to provide reasonable assurance regarding achievement of the University’s objectives. Development of the initial University ERM Risk Footprint occurred in October 2004. Reassessments of identified risks and mitigating and monitoring activities have occurred in 2006 and 2009.

AUDIT TEAM INFORMATION

Charlie Hrnčir, CPA, Director
Kim Pekar, CPA, Audit Manager
Aliza Dirden, CIA

DISTRIBUTION LIST

Dr. R. Bowen Loftin, President
Dr. Karan L. Watson, Interim Provost and Executive Vice President for Academic Affairs
Mr. Thomas H. Taylor, Interim Senior Vice President for Administration
Ms. B.J. Crain, Chief Business Officer
Mr. Charley Clark, Associate Vice President for University Risk and Compliance
Ms. Peggy Zapalac, Director for University Risk Management